Banca Comerciala Romana Group

Consolidate Financial Statements for the Year Ended 31 December 2001

Prepared in Accordance with International Accounting Standards

PRICEWATERHOUSECOOPERS

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2001

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GENERAL INFORMATION
31 DECEMBER 2001

1 NATURE OF OPERATIONS

Banca Comerciala Romana Group (the “Group”) comprises the parent entity, Banca Comerciala Romana SA (the “Bank”) and its subsidiaries: Anglo-Romanian Bank (United Kingdom), Frankfurt Bucharest Bank (Germany), Banque Franco-Roumaine (France) and Banca Comerciala Romana Chisinau (Republic of Moldova), Financiara SA (Romania), Bucharest Financial Plaza SRL (Romania), BCR Securities SA (Romania), BCR Leasing SA (Romania).

The Group is principally engaged in wholesale and retail banking operations in Romania and abroad and in other financial services activities including brokerage, asset management and leasing and employed approximately 11,163 members of staff at 31 December 2001 (31 December 2000: 10,550). The Group operates through its head office located in Bucharest and 280 branches and offices (31 December 2000: 280) located in Romania and abroad.

Banca Comerciala Romana SA (the “Bank”) has been incorporated in Romania since 1990 as a joint stock company and is licensed by the National Bank of Romania to conduct banking activities.

The registered office of the Parent is:

Banca Comerciala Romana SA
5, Regina Elisabeta Boulevard
Bucharest, Sector 3
ROMANIA

The Group serves a broad client base that includes corporations, the government and individuals. Management also uses its expertise and resources to enter into transactions for the Group’s own account.

2 CAPITAL ADEQUACY

The Parent calculates capital adequacy based upon the regulations issued by the National Bank of Romania (“BNR”). These ratios measure capital adequacy by comparing the Bank’s eligible capital with its balance sheet assets, off-balance-sheet commitments and market and other risk positions at weighted amount to reflect their relative risk. The regulations require that capital adequacy ratios be calculated on financial information prepared in accordance with Romanian Accounting Regulations (“RAR”). To be “sufficiently capitalised” under BNR regulations a banking institution must have a Tier 1 ratio of at least 8% and a Tier 1 plus Tier 2 ratio of at least 12%. As of 31 December 2001, the Tier 1 and Tier 1 plus Tier 2 capital adequacy ratios based upon the BNR’s regulations, were 26.72% and 30.06% respectively (2000: 26.28% and 33.07%, respectively).

2 CAPITAL ADEQUACY (CONTINUED)

In addition to the above ratios the Group also monitors the adequacy of its capital using ratios established by the Bank for International Settlements ("BIS"), based upon its financial statements prepared in accordance with International Accounting Standards (IAS). Based upon financial information prepared in accordance with IAS the Tier 1 and a Tier 1 plus Tier 2 capital adequacy ratios of the Group at 31 December 2001 were 28.07% respectively 28.94% (31 December 2000: 26.78% and 27.61%, respectively).

The main reason for the difference in the capital adequacy ratios between IAS and RAR is the effect of restating shareholders' equity for the effects of hyperinflation.

Under BIS guidelines assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Premises and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 8% of the carrying amount. Other asset categories have intermediate weightings.

Off-balance-sheet credit related commitments and forwards and options based derivative instruments are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for balance sheet assets.

Tier 1 capital consists of shareholders' equity less general credit risk reserves. Tier 2 capital includes the Group's eligible long-term debt and general credit risk reserves.

2 CAPITAL ADEQUACY (CONTINUED)

	IAS Balance sheet (Nominal amount)		Risk weighted amount	
	2001 (ROL million)	2000 (ROL million)	2001 (ROL million)	2000 (ROL million)
Balance sheet assets (net of provisions)				
Due from other banks	13,610,121	14,587,495	2,722,024	2,917,499
Loans and advances to customers, net	33,988,623	29,698,072	33,988,623	29,698,072
Investments	497,499	1,001,672	497,499	1,001,672
Property and equipment	13,711,530	11,240,478	13,711,530	11,240,478
Other assets	4,232,257	4,260,244	4,232,257	4,260,244
Off balance sheet positions				
Letters of guarantee	14,136,413	15,844,079	14,136,413	15,844,079
Letters of credit	1,588,870	1,622,875	1,588,870	1,622,875
Undrawn loan commitments	6,497,807	2,979,192	6,497,807	2,979,192
Total risk weighted assets	88,263,120	81,234,107	77,375,023	69,564,111

	Capital 2001 (ROL million)	Capital 2000 (ROL million)	BIS % 2001	BIS % 2000
BIS Capital ratios				
Tier 1 capital	21,721,722	17,659,503	28.07	25.39
Tier 1 +Tier 2 capital	22,389,604	18,206,118	28.94	26.17

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Audit SRL
Opera Center
1-5 Costache Negri Street
Bucharest 5, Romania
Telephone +40 (01) 202 8500
Facsimile +40 (01) 202 8600

INDEPENDENT AUDITORS' REPORT TO THE BOARD DIRECTORS OF BANCA COMERCIALA ROMANA SA

We have audited the accompanying consolidated balance sheet of Banca Comerciala Romana SA and its subsidiaries ("the BCR Group" or "the Group" as defined in Note 1 to the consolidated financial statements) as at 31 December 2001 and the related consolidated statements of income, cashflows and changes in shareholders' equity for the year ended 31 December 2001 expressed in the current purchasing power of the Romanian Lei ("ROL") as at 31 December 2001. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Banca Comerciala Romana Group as at 31 December 2001 and the results of its operations, its cash flows and changes in shareholders' equity for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers

Bucharest, 24 April 2002

Registration Number J40/17223/1993
Fiscal Code R4282940

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2001

(expressed in terms of the purchasing power of the Romanian Lei (ROL) as at 31 December 2001)

	Note	Year ended 31 December 2001 (ROL million)	Year ended 31 December 2000 (ROL million)
Interest income	3	22,576,507	23,500,091
Interest expense	4	(12,721,057)	(14,980,625)
Net interest income		9,855,450	8,519,466
Fee and commission income, net	5	3,281,546	3,019,081
Foreign exchange gain, net	6	298,684	891,221
Other operating income	7	589,195	1,638,310
Operating income		14,024,875	14,068,078
Other operating expenses	8	(6,035,201)	(6,660,816)
Bad and doubtful debts expense	9	(1,947,054)	(1,145,999)
Loss from investments		-	(351,810)
Profit from operations		6,042,620	5,909,453
Loss on net monetary position		(921,923)	(1,299,593)
Profit before taxation and minority interest		5,120,697	4,609,860
Taxation	10	(1,008,519)	(1,171,981)
Profit before minority interest		4,112,178	3,437,679
Minority interest (profit)/loss	33	8,219	(6,280)
Net profit		4,120,397	3,431,599

The financial statements on pages 54 to 58 and accompanying notes on pages 59 to 98 based on the statutory accounts restated in accordance with International Accounting Standards, were approved by the Board of Directors on 24 April 2002 and signed on its behalf by:

Dr. Nicolae Dănilă
President

Dr. Ion Nițu
Vice President

The accompanying notes set out on pages 59 to 98 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2001
(expressed in terms of the purchasing power of the Romanian Lei (ROL) as at 31 December 2001)

	Note	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Assets			
Cash and short term funds	11	3,554,679	1,782,615
Due from Central Banks	12	30,928,623	20,163,283
Treasury bills and bonds	13	17,556,082	17,150,179
Due from other banks	14	13,610,121	14,587,495
Loans and advances to customers	15	33,988,623	29,698,072
Equity investments	16	497,499	1,001,672
Premises and equipment	17	13,711,530	11,240,478
Other assets	18	4,232,257	4,260,244
Total assets		118,079,414	99,884,038
Liabilities			
Due to other banks	19	8,513,045	9,893,481
Deposits from customers	20	83,812,696	65,923,297
Other liabilities and provisions	21	2,836,758	5,144,138
Total liabilities		95,162,499	80,960,916
Minority interest		527,311	717,004
Shareholders' equity			
Share capital			
- statutory	22	7,924,688	5,620,475
- reserves	22	7,845,684	10,149,897
		15,770,372	15,770,372
Reserves		6,619,232	2,435,746
Total shareholders' equity		22,389,604	18,206,118
Total liabilities and shareholders' equity		118,079,414	99,884,038
Off balance sheet commitments and contingencies		22,223,090	20,446,146

The financial statements on pages 54 to 58 and accompanying notes on pages 59 to 98 based on the statutory accounts restated in accordance with International Accounting Standards, were approved by the Board of Directors on 24 April 2002 and signed on its behalf by:

Dr. Nicolae Dănilă President	Dr. Ion Nițu Vice President

The accompanying notes set out on pages 59 to 98 form an integral part of these consolidated financial statements.

BANCA COMERCIALA ROMANA GROUP

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2001 (expressed in terms of the purchasing power of the Romanian Lei (ROL) as at 31 December 2001)

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Net cash flow from operating activities		
Operating profit (before taxation and loss on net monetary position)	6,042,620	5,909,453
Adjustments for:		
Accrued interest receivable	431,519	737,046
Accrued interest payable	(144,735)	(634,711)
Bad debts written off	932,264	4,628,902
Charge for provisions	1,014,790	(3,407,552)
Profit from disposal of property and equipment	(3,285)	(549)
Profit from scrip dividends	(67,582)	-
Unrealised foreign exchange (gain)/loss	986,493	(488,875)
Dividend income	(604)	(133,492)
Depreciation charge	506,074	651,192
Net cash flow from operating activities	9,697,554	7,261,414
Change in operating assets		
Decrease in amounts placed to Central Banks	499,745	2,468,501
Decrease/(increase) in treasury bills over 90 days	(7,045,715)	5,201,566
Decrease/(increase) in placements with other banks	1,859,633	(2,759,367)
Increase in loans and advances to customers	(5,926,647)	(1,001,040)
Increase in accrued income and other assets	(82,317)	(546,481)
Total change in operating assets	(10,695,301)	3,363,179
Change in operating liabilities		
Decrease in deposits from banks	(1,380,436)	(4,022,822)
Increase in amounts owed to customers	17,889,399	188,337
Decrease in other liabilities	(1,182,256)	(472,493)
Change in operating liabilities	15,326,707	(4,306,978)
Net cash from operating activities	14,328,960	6,317,615
Cash flow from investing activities		
Purchase of investments	-	(12,214)
Sale of investments	-	218,181
Purchase of premises and equipment	(2,757,160)	(1,476,841)
Sale of premises and equipment	289,522	727,634
Dividends received	604	133,492
Net cash used in investing activities	(2,467,034)	(409,748)
Cash flow from financing activities		
Taxation paid	(1,274,464)	(1,171,981)
Dividends paid	(922,628)	(468,610)
Dividends paid to minority interest	(70,647)	-
Net cash from financing activities	(2,267,739)	(1,640,591)
Effect of exchange rate changes	7,198,010	11,611,846
Effect of inflation on cash and cash equivalents	(9,533,816)	(12,422,561)
Increase/(decrease) in cash and cash equivalents	7,258,381	3,456,561
Cash and cash equivalents as at 1 January	40,998,553	37,541,992
Increase in cash and cash equivalents	7,258,381	3,456,561
Cash and cash equivalents as at 31 December	48,256,934	40,998,553

The accompanying notes set out on pages 59 to 98 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)
(expressed in terms of the purchasing power of the Romanian Lei (ROL)
as at 31 December 2001)

ANALYSIS OF CASH AND CASH EQUIVALENTS

Comprising:

	31 December 2000 (ROL million)	31 December 1999 (ROL million)
Cash	1,782,615	1,545,982
Current account and short term deposits with National Bank of Romania	19,663,538	17,030,461
Treasury bills - less than 3 months	6,890,182	10,519,997
Due from other banks - less than 3 months	12,662,218	8,445,552
	40,998,553	37,541,992

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Cash	3,554,679	1,782,615
Current account and short term deposits with National Bank of Romania	30,928,623	19,663,538
Treasury bills - less than 3 months	250,370	6,890,182
Due from other banks - less than 3 months	13,523,262	12,662,218
	48,256,934	40,998,553

BANCA COMERCIALA ROMANA GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2001

(expressed in terms of the purchasing power of the Romanian Lei (ROL) as at 31 December 2001)

	Share capital (ROL million)	Retained earnings (ROL million)	Total (ROL million)
Balance as at 31 December 1999	15,770,372	206,329	15,976,701
Net profit for the year 2000	-	3,431,599	3,431,599
Dividends approved for the year 2000	-	(1,202,181)	(1,202,181)
Balance as at 31 December 2000	15,770,372	2,435,747	18,206,119
Fair value reserve	-	379,652	379,652
Translation reserve	-	(316,564)	(316,564)
Net profit for the year 2001	-	4,120,397	4,120,397
Balance as at 31 December 2001	15,770,372	6,619,232	22,389,604

The accompanying notes set out on pages 59 to 98 form an integral part of these consolidated financial statements.

1 BASIS OF PRESENTATION

Currency of presentation

The accompanying financial statements have been restated in terms of the current purchasing power of the Romanian Lei (ROL) as at 31 December 2001.

Consolidation

Banca Comerciala Romana Group ("the Group") consists of Banca Comerciala Romana as parent and its subsidiaries: Anglo-Romanian Bank (United Kingdom), Frankfurt Bucharest Bank (Germany), Banque Franco-Roumaine (France), Banca Comerciala Romana Chisinau (Republic of Moldova), Financiara SA (Romania), Bucharest Financial Plaza SRL (Romania), BCR Securities SA (Romania) and BCR Leasing SA (Romania).

A summary of the constituent entities within Banca Comerciala Romana Group is set in Note 34.

Subsidiary undertakings, which are those companies in which Banca Comerciala Romana SA (the "Bank" or the "Parent") has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Minority interest is that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Group. Minority interest in the consolidated balance sheet is recorded separate from liabilities and shareholders' equity.

Basis of accounting

The Bank maintains its accounting records in conformity with the Romanian accounting law and the National Bank of Romania ("NBR") banking regulations ("statutory accounts"). Foreign incorporated consolidated financial institutions maintain their accounting records in compliance with the applicable banking laws in their respective jurisdictions. Romanian consolidated non banking entities maintain their accounting records in compliance with the Romanian company's laws. All these accounting records are defined hereafter as the statutory accounts.

1 BASIS OF PRESENTATION (CONTINUED)

Those statutory accounts have been restated to reflect the differences between the statutory accounts and the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee. Accordingly, such adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements into line, in all material respects, with IAS.

The principal differences between the statutory accounts and the IAS financial statements relate to the hyperinflation accounting, income tax, methodologies for determining the specific provision for estimated loan losses and overdue interest, accounting for financial instruments and accounting for investments.

As at 1 January 2001, the Group adopted IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property". The financial effects of adopting IAS 39 and IAS 40 are reported in the consolidated statement of changes in shareholders' equity. IAS 39 has been applied prospectively in accordance with the requirements of the Standard and therefore corresponding information has not been restated. Further information relating to the effect of the adoption of IAS 39 is presented in the relevant accounting policies for treasury bills, bonds, equity investments, loans and provisions for loan impairment, fair value of financial instruments and related disclosures.

In accordance with IAS 39, the Group classified its investment securities and loans into the following categories: available for sale (for equity investments), originated loans (for loans and treasury bills) and held to maturity (for bonds).

Prior to adoption of IAS 39, all debt and equity securities, except for trading securities were measured at amortised cost or cost respectively providing only for permanent value impairments.

Further information relating to the effect of the adoption of IAS 40 is presented in the relevant accounting policies for investments in subsidiaries.

Reclassification of comparative amounts

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Use of estimates

The preparation of the financial statements in accordance with IAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported income and expenses during the reported period. Actual results could differ from these estimates.

1 BASIS OF PRESENTATION (CONTINUED)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES

Accounting for hyperinflation

IAS require that financial statements prepared on a historical cost basis should be adjusted to take account of the effects of inflation, if this has been significant. IAS 29 provides guidance on how financial information should be prepared in such circumstances. In summary it requires that financial statements should be restated in terms of measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the income statement and disclosed separately. The restatement of financial statements in accordance with IAS 29 requires the use of a general price index that reflects changes in general purchasing power.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%. The annual increase in the general price index as issued by the "Institutul Național de Statistică" (National Institute of Statistics) over the years 1999, 2000 and 2001 was:

	Movement in general price index	Movement in exchange rate of the US Dollar
Year ended 31 December 2001	30.3%	(21.9%)
Year ended 31 December 2000	40.7%	(42.0%)
Year ended 31 December 1999	54.9%	(66.7%)

The cumulative rate of inflation was 184% over years 1999, 2000 and 2001 on the basis of the information published by the National Institute of Statistics. Therefore the provisions of IAS 29 have been adopted in preparing these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of IAS 29 to specific categories of transactions and balances within the financial statements is set out as follows:

(a) Monetary assets and liabilities

Cash, amounts due from banks, treasury bills and trading securities, loans, accruals, receivables, payables (including taxes), borrowed funds, both long and short term, have not been restated as they are considered monetary assets and liabilities and therefore stated in ROL current at the balance sheet date.

(b) Non monetary assets and liabilities

Non monetary assets and liabilities (i.e. those balance sheet items that are not already expressed in terms of ROL current at the balance sheet date such as property and equipment) are restated from their historical cost by applying the general price index from either the date of acquisition, valuation or contribution to the balance sheet date.

(c) Gains and losses on net monetary position

In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities in an inflationary currency loses purchasing power, while an entity holding an excess of monetary liabilities over monetary assets gains purchasing power. The net gain or loss on the net monetary position comprises the effects of changes in the general price indices on the net monetary asset/liability position. The net gain or loss is derived after having restated the balance sheet and the income statement in accordance with the procedures described above. Gains or losses on net monetary position are included in the income statement.

(d) Property and equipment

IAS 29 states that all tangible fixed assets should be restated from the date of their purchase or valuation using a general price index.

(e) Shareholders' equity

All components of shareholders' equity are restated by applying a general price index from the date of contribution or recording in the accounting records.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income statement

Amounts included in the consolidated statement of income have been indexed by the change in the general price index based on following assumptions:

- In general, inflation occurred evenly each month; and
- Income and expenditures have accrued evenly over the year except for charges against profit for aggregate movements in:
  - provision for loan impairment;
  - provision for impairment of receivables.

All such movements have been treated, for the purposes of this calculation, as occurring at the year end.

(g) Comparative figures

Comparative figures for the previous reporting period are restated by applying the change in the general price index so that the comparative financial statements are presented in terms of ROL current at the end of the reporting period. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current at the balance sheet date.

Other significant accounting policies

Foreign currency translation

Transactions denominated in foreign currency are recorded at the official exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of income at the time of settlement using the exchange rate ruling on that date.

Income statements of foreign entities are translated into the Parent reporting currency at average exchange rates for the year and their balance sheets are translated at the year end exchange rates ruling on 31 December. Exchange differences arising from the translation of the net investment in foreign subsidiaries are taken to shareholders' equity and included in the translation reserve.

Monetary assets and liabilities denominated in foreign currency are expressed in ROL as at the balance sheet date. At 31 December 2001 the principal rate of exchange used for translating foreign currency balances was USD 1 = ROL 31,597 (2000: USD 1 = ROL 25,926). Foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the statement of income for the year.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income and expense

Interest income and expense are recognised in the statement of income for all interest bearing instruments on an accruals basis. Interest income deemed as non-collectible is provided for in full. Interest income includes coupons earned on fixed income investment securities and accrued discount and premium on treasury bills and other discounted instruments.

Fee and commission income

Fee and commission income consists mainly of fees received for the granting of loans, issuance of guarantees and letters of credit, transfers for customers and cards.

Fees and commissions are generally recognised on an accrual basis. Non-interest expenses are recognised at the time the products are received or the service is provided.

Loan fees are recognised in the income statement upon the granting of the applicable loan.

Computer software development costs

Generally, costs associated with developing computer software programmes are recognised as an expense as incurred. However, expenditure that enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives but not exceeding a period of three years.

Costs associated with the maintenance of present computer software programmes are expensed as incurred.

Advertising expenditure

Advertising expenditure is charged in the period when it is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days original maturity including: cash and balances with National Bank of Romania, treasury bills and other eligible bills and amounts due from other banks.

Treasury bills

Treasury bills are purchased directly from the issuers on primary market, are classified as originated loans and are carried at amortised cost. All interest income and any gains/losses realised from trading in treasury bills are included in the statement of income.

Other bonds

Other bonds are classified as held-to-maturity and are carried at amortised cost. Other bonds represent eurobonds purchased, issued by a Romanian incorporated company controlled by the Romanian Government, eurobonds issued by the Romanian State and bonds issued by the Polish Government.

Originated loans and provisions for loan impairment

Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the Group and are carried at amortised cost, which is defined as the fair value of consideration given to originate those loans as is determinable by reference to market prices at origination date, less provision for impairment. All loans and advances are recognised when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due.

The amount of provision is the difference between the carrying amount and the estimated recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the instrument's interest rate at inception.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings assigned to the borrowers and reflecting the current economic environment in which the borrowers operate.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary legal procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are treated as income.

If the amount of the provision for loan impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the "provision for loan impairment" line in the consolidated statement of income.

Prior to the adoption of IAS 39, loans and advances were stated at the principal amounts outstanding net of provisions for losses on loans and advances.

Other credit related commitments

In the normal course of business, the Group enters into other credit related commitments including loan commitments, letters of credit and guarantees. Specific provisions are raised against other credit related commitments when losses are considered probable.

Investments in subsidiaries

Investments in subsidiaries have been fully consolidated as described in Note 2.

A Romanian subsidiary is holding for long term rental an office building. This building is classified as "investment property". Investment property is treated as long-term investment and is carried at fair value, representing present value of cash flows from rental income. In this respect the opening balance of retained earnings was adjusted for the fair value.

Previously, the subsidiary recorded the building as fixed asset at amortised cost and fair values were not disclosed.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity investments

At 1 January 2001 the Group adopted IAS 39 and classified all its equity investments as "investments available for sale". This classification includes investments which Management intends to hold for an indefinite period of time, that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Management determines the appropriate classification of its investments at the time of purchase.

Investments in which the Parent holds between 20% and 50% of the voting power but over which does not have significant influence are classified as available for sale assets.

Investments available for sale are initially recognized at cost (which includes transaction costs) and subsequently re-measured to fair value based on quoted bid prices. Certain investments available for sale for which there is no available external independent quotation have been fair valued by Management on the basis of current negotiations for disposal of these investments to the third parties, results of resent sales of equity interest in the investees between unrelated third parties, consideration of other relevant factors such as discounted cash flows and financial information of the investees and application of other valuation methodologies.

Prior to adoption of IAS 39, all investments available for sale were carried at cost less provision for diminution in value, created in cases where the value of an investment has declined, and Management believes that the decline is not temporary in nature. Income derived from investments available for sale was accounted for on a cash basis. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount was charged or credited to income.

All regular way purchases and sales of investments securities are recognised at trade date, which is the date on which the Bank commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

Sale and repurchase agreements

Securities sold subject to a linked repurchase agreements ("repos") are retained in the financial statements as originated loans including treasury bills and the counter party liability is included in amounts due to customers.

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the restated cost is applied on a straight-line method using the rates specified for each depreciable asset by the Ministry of Finance to write off the cost of each asset to their residual values over their estimated useful life.

Land is not depreciated.

The estimated useful lives are:

	Years
Premises	30 – 50
Office equipment	3 – 10
Other fixed assets	3 – 15

Management reviews the carrying value of premises and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Expenses for repairs and maintenance are charged to operating expenses as incurred.

Interest expenses are not included in the cost of premises and equipment.

Income taxes

Each entity is required to record profit tax based upon income from financial statements prepared in accordance with the profit tax legislation in effect, in the country of incorporation.

Differences between financial reporting under IAS and local fiscal regulations give rise to material differences between the carrying value of certain assets and liabilities and income and expenses for financial reporting and income tax purposes.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax is provided for using the liability method, for such temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from the restatement of investments and accrual adjustments for treasury bills and between provisions for bad and doubtful debts made under IAS and local fiscal regulations.

Pension obligations and other post retirement benefits

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank are members of the State pension plan.

The Group does not operate any other pension scheme and, consequently, has no obligation in respect of pensions. The Group does not operate any other defined benefit plan or post retirement benefit plan. The Group has no obligation to provide further services to current or former employees.

Dividends and participation of staff to profit

Final dividends and participation of staff to profit are not accounted for until they have been ratified at the Annual General Meeting.

Fair value of financial instruments

Fair value is the amount for which an instrument could be exchanged between knowledgeable and willing parties in an arms length transaction. It represents a general approximation of possible value and may never be effectively realised.

The Group is subject to fluctuations of many economic variables including:

(a) exchange rate of foreign currency against the Romanian Lei or other foreign currency;

(b) market price of similar products;

(c) interest rates;

(d) devaluation of the purchasing power of the Romanian Lei.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group's financial instruments, as defined in accordance with applicable requirements, include financial assets and liabilities recorded in the balance sheet as well as off-balance sheet instruments such as guarantees and letters of credit.

The Group's short term funds, treasury bills and customer settlement accounts are carried in the financial statements at cost, because these instruments have short maturity terms and are convertible into cash or are settled without significant transaction costs. The loans and advances, bills of exchange, guarantees, letters of credit and term deposits are reported at cost less an estimate for impairment. These items have predominantly short re-pricing terms and carry interest rates which reflect current market conditions.

A market does not presently exist for most of these financial instruments which would facilitate obtaining prices for comparative instruments and if sold or settled prior to their stated maturity dates, these instruments would bear transaction costs in the form of fees or discounts. Because of the short-term maturity of these financial instruments, the Group's management estimates fair value based on their nominal or face value. The Group's investments in companies which have no quoted market price are carried at restated cost less an estimate for impairment. These financial investments generally represent equity in companies for which there is no reliable comparative information for estimating market value.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reliable estimate of the amount of the obligation can be made.

3 INTEREST INCOME

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Current accounts and deposits to banks	6,467,676	4,994,817
Loans and advances to customers	9,565,921	10,194,632
Treasury bills	5,838,153	7,989,606
Other interest income	704,757	321,036
	22,576,507	23,500,091

4 INTEREST EXPENSE

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Customer deposits	11,448,058	13,544,866
Deposits from banks	452,969	721,077
Repo transactions with customers	820,030	714,682
	12,721,057	14,980,625

5 FEE AND COMMISSION INCOME, NET

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Fee and commission income	3,744,155	3,471,825
Fee and commission expense	(462,609)	(452,744)
	3,281,546	3,019,081

6 FOREIGN EXCHANGE GAIN, NET

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Realised foreign exchange gains	1,285,177	402,346
Translation of foreign currency denominated assets and liabilities	(986,493)	564,226
	298,684	966,572

7 OTHER OPERATING INCOME

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Profit from sale of investments and bonds	67,582	1,097,376
Tax discount	181,147	9,874
Dividends received	30,084	159,491
Rent income	182,568	89,977
Income from other services	45,673	34,466
Other income	82,141	247,126
	589,195	1,638,310

8 OTHER OPERATING EXPENSES

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Salaries and wages	3,608,043	3,711,040
Depreciation	506,074	651,192
Rent expenses	41,454	182,718
Office expenses	1,075,177	1,106,259
Other expenses including taxes and fees	804,453	1,009,607
	6,035,201	6,660,816

Other office expenses include other taxes, as local taxes, postage and telecommunications expenses, rent, fuel, energy and water supply.

9 BAD AND DOUBTFUL DEBTS EXPENSE

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Provision (release)/charge for bad and doubtful loans and advances (see Note 15)	703,832	(1,114,108)
Provision release for overdue interest receivable - loans (see Note 18)	(252,182)	(555,563)
Provision release for doubtful amounts - due from banks (see Note 14)	(21,215)	(316,047)
Provision (release)/charge for overdue interest - due from banks (see Note 18)	175,557	(373,196)
Provision charge/(release) for equity investments (see Note 16)	327,165	(705,360)
Bad debts written off	932,264	4,628,902
Provision release for letters of guarantee issued (see Note 31)	(43,694)	(53,512)
Net (release)/charge of other provisions	125,327	(365,118)
	1,947,054	1,145,999

10 INCOME TAX EXPENSE

The income tax expense consists of current and deferred income tax as follows:

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Current income tax	1,336,737	1,133,545
Deferred income tax release	(328,218)	38,436
	1,008,519	1,171,981

Current income tax is calculated applying the enacted rate in each of the jurisdictions of the members of the Group. For the Parent, current income tax is calculated applying a rate of 25% (2000: 25%). Deferred income taxes are calculated on all temporary differences under the liability method.

10 INCOME TAX EXPENSE (CONTINUED)

Deferred income tax assets and liabilities are attributable to the following items:

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Deferred income tax liabilities		
- restatement of the fixed assets and investments	382,103	579,627
- other temporary difference	315,205	366,471
	697,308	946,098
Deferred income tax assets		
- loan loss provisions	265,248	104,706
- other provisions	17,976	48,480
	283,224	153,186
Deferred income tax liability	414,084	792,912

The movement on the deferred income tax liability is as follows:

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
At the beginning of the year	792,912	754,476
Income statement release	(328,218)	38,436
Transfer to reserves	126,551	-
Effects of exchange rates	(177,161)	-
At the end of the year	414,084	792,912

11 CASH AND SHORT TERM FUNDS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Cash	3,546,159	1,776,939
Travellers cheques	8,520	5,676
	3,554,679	1,782,615

12 DUE FROM CENTRAL BANKS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Due from the National Bank of Romania		
- current account in ROL	9,765,551	10,600,980
- current account in USD	6,753,164	4,945,490
- term deposits	13,690,000	3,583,250
- restricted deposits	207,785	60,227
Due from other central banks	512,123	973,426
	30,928,623	20,163,283

Current accounts due from the National Bank of Romania are required to satisfy the mandatory reserve requirements of the National Bank of Romania and are not available to finance the Bank's day to day operations or to be used as collateral for other borrowings from the National Bank of Romania. The interest rates ranged from 17% to 25.5% (2000: 25% to 31%) for reserves held in ROL, the weighted average being 23% (2000: 27%) and from 1% to 3.1% (2000: 3.1% to 3.4%) for reserves held in USD the weighted average being 2.8% (2000: 3.2%).

The interest rates for term placements with National Bank of Romania ranged during 2001 from 33.65% to 50% (2000: from 15% to 68%) weighted average being 39.69% (2000: 46.82%).

13 TREASURY BILLS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Romanian treasury bills - in ROL	8,140,034	7,364,357
Romanian treasury bills - in USD	3,223,692	-
Romanian Government bonds - in ROL	616,315	6,742,371
Romanian Government bonds - in USD	3,562,477	1,872,855
Other bonds	2,013,564	1,101,059
	17,556,082	17,150,179

Romanian treasury bills in ROL are issued by the Romanian Ministry of Finance with interest rates ranging from 31% to 55% during 2001 (2000: 38% to 80%), the weighted average rate being 39% (2000: 52%). Romanian treasury bills in foreign currency are issued by the Romanian Ministry of Finance, denominated in USD, carry an interest rate ranging from 5% to 7% (2000: 5% to 10%), having a weighted average of 6% (2000: 5.6%).

Included in treasury bills are securities sold under sale and repurchase agreements, as described in Note 20.

The Group pledged as collateral treasury bills amounting to ROL 554,459 million mainly in favour of the clearing house of the Romanian payment system (Transfond).

The Romanian Government bonds in ROL bear a variable interest rate between 34.69% and 50.33% with a weighted average of 45.97% and have a maturity between January 2002 and January 2003.

The Romanian Government bonds denominated in USD were issued by the Romanian Ministry of Finance on the local market and have a two year validity. The bonds from Bank's portfolio as at 31 December 2001 will mature during 2002/2003.

The bonds are bearing an interest varying from 5% to 7% with an average interest rate of 6%.

In "Other bonds" are included eurobonds denominated in EUR acquired during 2001 and issued by the Romanian Ministry of Finance and Termoelectrica and bonds issued by the Polish Government. The eurobonds are bearing interest rates of 11.50% and 11.25% respectively. They mature in November 2005 and April 2004, respectively. The Polish bonds bear an interest rate of 6% and mature in 2006.

14 DUE FROM OTHER BANKS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Analysis by maturity		
Payable on demand	1,269,866	1,253,818
Term deposits	13,132,193	14,120,507
Other loans	110,524	226,766
Due from banks, gross	14,512,583	15,601,091
Provision for doubtful amounts	(902,462)	(1,013,596)
	13,610,121	14,587,495
Provision for doubtful placements		
Provision at 1 January	1,013,596	1,560,322
Release for the year (see Note 9)	(21,215)	(316,047)
Effects of inflation	(235,709)	(254,487)
Effects of exchange rates	145,790	23,807
Provision at 31 December	902,462	1,013,596

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Analysis of principal by classification before provision		
Current accounts and money at call with banks	1,269,866	1,302,222
Placements with non-Romanian incorporated banks	11,576,224	12,054,531
Placements with Romanian incorporated banks	672,608	1,188,233
Collateral deposits and blocked accounts	883,360	829,339
Loans to Romanian incorporated banks	110,525	226,766
	14,512,583	15,601,091

During 2001 interest on placements in foreign currencies ranged from 1.75% to 8% (2000: 3% to 7.5%), the weighted average rate being 4.14% (2000: 6%). Interest rates on placements in ROL ranged from 17% to 80% (2000: 8% to 150%), the weighted average rate being 38% (2000: 48%).

15 LOANS AND ADVANCES TO CUSTOMERS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Loans and advances to customers, net	33,981,869	29,698,072
Reverse repo	6,754	-
	33,988,623	29,698,072

The Group accepted treasury bills with a carrying amount of ROL 6,754 million as collateral for a loan, which is due on 7 March 2002.

Analysis by industrial classification

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Trade	6,361,351	5,419,237
Agriculture and food industry	4,321,606	4,035,313
Metallurgy	3,646,413	2,815,851
Chemical and petrochemical	2,373,122	2,475,180
Transport vehicles manufacturing	2,585,877	2,033,447
Textile and leather	2,147,165	2,139,650
Manufacturing metallic products	1,485,179	-
Power generating	1,572,975	1,117,769
Mining	951,199	966,419
Wood industry	1,147,792	900,914
Machinery and mechanical equipment	1,270,750	1,128,352
Transport	1,429,293	870,068
Electrical engineering and electronics	597,767	472,624
Latex and plastic materials	387,312	486,938
Construction materials	911,727	385,859
Other	5,815,566	7,391,756
Total portfolio	37,005,094	32,639,377
Provision for loan losses	(3,023,225)	(2,941,305)
	33,981,869	29,698,072

15 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The major part of the loans and advances are granted to Romanian incorporated companies. Interest rates on ROL loans and advances during 2001 ranged from 40% to 57% (2000: 42% to 71%), the weighted average rate being 51% (2000: 55%). Interest rates on foreign currency loans during the year ranged from 7% to 11% (2000: 7% to 15%), the weighted average rate being 9% (2000: 11%).

Provision for loan losses

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Provision at 1 January	2,941,305	5,520,760
(Release)/charge for the year (see Note 9)	703,832	(1,114,108)
Effects of inflation	(683,970)	(1,484,053)
Effects of exchange rates	62,058	18,706
Provision at 31 December	3,023,225	2,941,305

An analysis of loans and advances by maturity is presented in Note 27.

16 EQUITY INVESTMENTS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
At 1 January	1,001,672	1,432,063
Transfers	(584,749)	-
Additions/(Disposals)	537,840	(300,292)
At 31 December	954,763	1,131,771
Provision for diminution in value of investments	(457,264)	(130,099)
	497,499	1,001,672

Investments relate to the Group's participation in a number of Romanian and foreign companies which are accounted for at cost.

16 EQUITY INVESTMENTS (CONTINUED)

Company's name	Country of incorporation	Nature of business	Shareholding 2001	Shareholding 2000
Banco Italo-Romena Milano*	Italy	Banking	7.69%	20.00%
MISR Romanian Bank, Cairo*	Egypt	Banking	19.00%	19.00%
Mindbank	Romania	Banking	1.03%	1.03%
Eurombank	Romania	Banking	0.02%	0.37%
Fondul de Garantare a Creditului Rural	Romania	Investment fund	26.32%	26.32%
ASIBAN SA	Romania	Insurance	20.00%	20.00%
BCR Asigurari	Romania	Insurance	20.00%	-
BCR Asset Management	Romania	Asset Management	20.00%	-
Fondul de Garantare a Creditelor pentru Intreprinzatori Privati	Romania	Investment and guaranteeing fund	19.62%	19.62%
OMNIASIG - Asigurari de Viata*	Romania	Insurance	20.00%	20.00%
OMNIASIG SA*	Romania	Insurance	2.78%	2.78%
Registrul Roman al Actionarilor	Romania	Register for Stock exchange listed companies	20.00%	20.00%
Romcard	Romania	Card operations	20.00%	20.00%
Transfond	Romania	Clearing and settlements of inter-banking payments	2.38%	2.38%
Agentia bursiera SIS & CO SA	Romania	Brokerage house	20.00%	20.00%
Popasul Romanilor SRL Zalau	Romania	Tourism	16.00%	19.42%
Bursa Romana de Marfuri	Romania	Commodity exchange	5.27%	5.27%
Bursa Maritima si de Marfuri Constanta SA	Romania	Commodity exchange	0.66%	0.86%
SNCDD	Romania	Clearing and settlements for Rasdaq quoted companies	3.43%	3.43%
Romwool	Romania	Textile industry	8.70%	8.70%
Kvaerner IMGB	Romania	Heavy industry	5.87%	5.87%
Piaţa de Gros SA	Romania	Trade	0.71%	0.71%
SWIFT Belgium*	Belgium	Banking communications	<1.00%	<1.00%
Other	Romania	Various		

* acquired from Bancorex during 1999.

BCR Asset Management is still in the process of authorisation.

17 PREMISES AND EQUIPMENT

	Land and buildings (ROL million)	Office equipment (ROL million)	Other fixed assets (ROL million)	Total (ROL million)
Restated cost				
At 31 December 2000	10,511,546	1,370,457	1,219,193	13,101,196
Additions	2,065,603	280,853	916,907	3,263,363
Disposals	(503,698)	(75,987)	(59,167)	(638,852)
At 31 December 2001	12,073,451	1,575,323	2,076,933	15,725,707
Accumulated depreciation				
At 31 December 2000	852,789	529,993	477,936	1,860,718
Charge for the year	257,398	101,136	147,540	506,074
Disposals	(220,109)	(73,339)	(59,167)	(352,615)
At 31 December 2001	890,078	557,790	566,309	2,014,177
Net book value				
At 31 December 2001	11,183,373	1,017,533	1,510,624	13,711,530
At 31 December 2000	9,658,757	840,464	741,257	11,240,478

The caption “Other fixed assets” includes cars, software and other sundry fixed assets.

18 OTHER ASSETS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Accrued interest receivable, net	2,569,247	3,000,766
Other assets and prepayments	1,663,010	1,259,478
	4,232,257	4,260,244

Interest receivable is stated net of provision:

Gross interest receivable	3,274,637	3,939,670
Less provision for overdue interest receivable		
- loans to customers	(280)	(328,853)
- due from banks	(705,110)	(610,051)
Interest receivable, net of provision for overdue interest	2,569,247	3,000,766

Provision for overdue interest receivable includes:

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Provision for overdue interest receivable - loans to customers		
Provision at 1 January	328,853	1,243,239
Release of provision (see Note 9)	(252,182)	(555,563)
Effects of inflation	(76,470)	(358,823)
Effects of exchange rates	79	-
Provision at 31 December	280	328,853

18 OTHER ASSETS (CONTINUED)

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Provision for overdue interest receivable - due from other banks		
Provision at 1 January	610,051	1,190,928
(Release)/charge for the year (see Note 9)	175,557	(373, 196)
Effects of inflation	(141,862)	(240,519)
Effects of exchange rates	61,364	32,838
Provision at 31 December	705,110	610,051

19 DUE TO OTHER BANKS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Repayable on demand	872,455	644,732
Term deposits	3,084,015	2,663,632
Loans from banks	4,556,575	6,585,117
	8,513,045	9,893,481

A maturity profile of amounts due to other banks is provided in Note 26.

The interest rates for amounts in foreign currencies during the year ranged from 1% to 6.6% (2000: 2.65% to 6.3%), the weighted average rate being 2.98% (2000: 4%).

Interest rates on deposits taken in ROL ranged from 5% to 60%, the weighted average being 34%.

The largest amounts due to other banks are loans in hard currencies mostly from foreign banks. The interest rates in 2001 for these borrowed funds ranged from 2.72% to 14.13% (2000: 3% to 13.4%), weighted average being 5.74% (2000: 6.43%).

On 22 January 2001, a loan amounting to EUR 20,000,000 was obtained from EBRD aiming to finance the small and medium size enterprises' development. From total approved an amount of EUR 7,500,000 from tranche A was outstanding as of 31 December 2001. The interest rate is equal for each semi-annual interest period to a margin of 2.25% p.a. over the Euribor at 6 months.

20 DEPOSITS FROM CUSTOMERS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Repayable on demand	25,499,960	21,889,962
Term deposits	49,262,340	39,456,830
Certificates of deposits	5,299,843	4,576,505
Repurchase agreements (Note 13)	3,750,553	-
	83,812,696	65,923,927

Interest rates during 2001 ranged from 6% to 39% (2000: 10% to 55%) for ROL term deposits, the weighted average rate being 32.79% (2000: 25%) and ranged from 2.88% and 5% (2000: 4% to 6%) for foreign currency deposits, the weighted average rate being 4.15% (2000: 4.2%).

Assets pledged as collateral for repurchase agreements are treasury bills issued by the Romanian Ministry of Finance in local currency a carrying amount of ROL 3,542,368 million and in USD with a carrying amount of ROL 333,626 million equivalent.

The Treasury bills denominated in local currency are issued for periods of 6 or 12 months and bear an interest between 37% and 55%.

The Treasury bills denominated in hard currency are issued for periods of 1 year and bear an interest of 6.75%.

21 OTHER LIABILITIES AND PROVISIONS

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Dividend payable, net of withholding tax	-	1,334,650
Accrued and deferred income	1,093,312	1,238,047
Clearing payments pending	845,579	692,969
Provision for letters of guarantee (see Note 31)	112,205	196,302
Taxation, including provision for deferred tax	432,958	697,514
Other liabilities	352,704	984,656
	2,836,758	5,144,138

Clearing payments pending relate to obligations to settle payments, which arise due to timing differences between the execution of payments and their settlement.

22 SHARE CAPITAL

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Statutory value (not restated)	7,924,688	5,620,475
Restatement of share capital	7,845,684	10,149,897
	15,770,372	15,770,372

	Shareholder stake percentage	
Shareholder	**31 December 2001**	**31 December 2000**
APAPS	69.88%	69.88%
SIF Oltenia	6.12%	6.12%
SIF Banat Crisana	6.00%	6.00%
SIF Moldova	6.00%	6.00%
SIF Transilvania	6.00%	6.00%
SIF Muntenia	6.00%	6.00%
	100.00%	100.00%

The share capital of the Group consists of 792,488,750 (2000: 431,348,750) allotted and fully paid ordinary shares of ROL 10,000 each. Each share carries one vote. Share capital is owned 69.88% by the Romanian State through "Autoritatea pentru Privatizare și Administrarea Participațiilor Statului" ("APAPS") (former State Ownership Fund) and 30.12% by the five Financial Investments Funds ("SIF") (former Private Ownership Funds), the latter being closed investment companies. During 2001, additional ordinary shares in amount of ROL 3,611,200 million (2000: ROL 1,786,941 million) were issued to shareholders existing as of the issuance date in the same proportion as their existing shareholding. This increase represented the incorporation of revaluation of premises and equipment, in accordance with Romanian legislation. In the above table, the statutory value of share capital is presented in nominal terms as required by the relevant Romanian authorities.

23 STATUTORY RESERVES

In accordance with the Romanian law on banks and banking activities, the Parent must distribute the profit as dividends or effect a transfer to retained earnings (reserves) on the basis of the financial statements prepared under Romanian Accounting Regulations ("RAR"). Amounts transferred to reserves must be used for the purposes designated when the transfer is made.

Currently, under Romanian banking legislation the Parent is required to create the following reserves from appropriation of profit:

(a) legal reserve, appropriated at the rate of 20% of the gross profit, until the total reserve is equal to the issued and fully paid up share capital, 10% until the total reserve is equal to twice the share capital issued and fully paid up and thereafter from the net profit without limit;

(b) general reserve for possible credit losses, appropriated from the gross profit at the rate of 2% of the loan risk portfolio;

(c) reserve from revaluation of hard currency funds appropriated from the net profit;

(d) reserve from the profits obtained following the selling of fixed assets appropriates from the net profit.

After reducing taxes and setting aside the legal reserves, general reserves and revaluation reserve as discussed above remaining balance of net profit may be distributed to shareholders. Dividends may only be declared from current profit. The statutory dividend proposed for the year ended 31 December 2001 is ROL 1,444,386 million (31 December 2000: ROL 922,627 million).

The statutory proposed appropriation from profit for staff in respect of the year ended 31 December 2001 is ROL 288,877 million (31 December 2000: ROL 184,525 million).

24 ASSETS AND LIABILITIES DENOMINATED IN ROL AND OTHER CURRENCIES

The amount of total assets and liabilities at 31 December 2001 and 31 December 2000 analysed in ROL and other currencies is as follows (see Note 30):

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Assets		
Denominated in ROL	69,492,041	60,095,079
Denominated in currencies other than ROL	48,587,373	39,788,959
Total assets	118,079,414	99,884,038
Liabilities		
Denominated in ROL	48,910,973	42,644,613
Denominated in currencies other than ROL	46,251,526	38,316,303
Total liabilities	95,162,499	80,960,916

The principal foreign currency held by the Group is the US Dollar, other foreign currencies are also held including Euro, GB Pounds and Swiss Francs.

25 INTEREST RATE RISK

The table below summarises the effective interest rate by major currencies for monetary financial instruments (see Note 30).

	EUR	USD	ROL
Assets			
Cash and balances with National Bank of Romania	-	1.00%	27.18%
Treasury bills	-	6.75%	39.67%
Government bonds	-	5.12%	42.03%
Other bonds	-	11.36%	36.00%
Due from banks	3.52%	2.14%	29.18%
Liabilities			
Due to other banks	3.39%	2.02%	33.35%
Loans from banks	4.45%	6.01%	-

26 LIQUIDITY RISK

The amount of total assets and liabilities at 31 December 2001 analysed over the remaining period to the contractual maturity date is as follows (see Note 30):

	Up to 3 months (ROL million)	3 months to 1 year (ROL million)	1 year to 5 years (ROL million)	Over 5 years (ROL million)	Total (ROL million)
Assets					
Cash and short term funds	3,554,679	-	-	-	3,554,679
Due from the National Bank of Romania	-	173,037	-	-	30,755,586
Treasury bills bonds	2,649,424	11,676,233	2,284,628	945,797	17,556,082
Due from other banks	12,994,937	251,550	320,832	42,802	13,610,121
Loans and advances to customers	14,209,981	11,767,440	6,470,482	1,540,720	33,988,623
Equity investments	92	-	-	497,407	447,499
Premises and equipment	2,473	-	3,403	13,705,654	13,711,530
Other assets	3,103,824	848,131	243,261	37,041	4,232,257
Total assets	67,270,996	24,716,391	9,322,606	16,769,421	118,079,414
Liabilities					
Due to other banks	4,406,422	1,028,933	2,520,559	557,131	8,513,045
Deposits from customers	72,404,031	10,165,623	1,080,221	162,821	83,812,696
Other liabilities and provisions	1,518,997	302,617	308,202	706,942	2,836,758
Total liabilities	78,329,450	11,497,173	3,908,982	1,426,894	95,162,499
Net liquidity gap	(11,058,454)	13,219,218	5,413,624	15,342,527	22,916,915

26 LIQUIDITY RISK (CONTINUED)

The amount of total assets and liabilities at 31 December 2000 analysed over the remaining period to the contractual maturity date is as follows:

	Up to 3 months (ROL million)	3 months to 1 year (ROL million)	1 year to 5 years (ROL million)	Over 5 years (ROL million)	Total (ROL million)
Assets					
Cash and short term funds	1,782,615	-	-	-	1,782,615
Due from the National Bank of Romania	19,663,538	486,910	12,835	-	20,163,283
Treasury bills bonds	6,890,182	7,818,916	2,383,986	57,095	17,150,179
Due from other banks	12,662,218	495,014	284,450	1,145,814	14,587,495
Loans and advances to customers	14,845,168	8,639,360	5,500,540	713,004	29,698,072
Equity investments	-	-	-	1,001,672	1,001,672
Premises and equipment	-	-	-	11,240,478	11,240,478
Other assets	4,083,687	-	172,100	4,458	4,260,244
Total assets	59,927,407	17,440,200	8,353,911	14,162,520	99,884,038
Liabilities					
Due to other banks	3,758,054	1,479,942	3,618,942	1,037,069	9,893,481
Deposits from customers	62,265,889	3,394,310	263,085	13	65,923,297
Other liabilities and provisions	4,562,926	7,632	534,453	39,128	5,144,138
Total liabilities	70,586,869	4,881,884	4,415,953	1,076,210	80,960,916
Net liquidity gap	(10,659,462)	12,558,316	3,937,958	13,086,310	18,923,122

27 ECONOMIC SECTOR RISK

The table below analyse assets and liabilities of the Parent into transactions with Romanian State and Private companies as at 31 December 2001 (see Note 30).

	State (ROL million)	Private (ROL million)	Total (ROL million)
Assets			
Cash	1,440,859	2,063,160	3,504,019
Due from National Bank of Romania	30,416,500	-	30,416,500
Treasury bills and bonds	16,117,285	-	16,117,285
Due from other banks	-	11,207,165	11,207,165
Loans and advances to customers, net	7,956,384	23,245,120	31,201,504
	55,931,028	36,515,445	92,446,473
Liabilities			
Due to other banks	-	5,641,885	5,641,885
Due to customers	8,650,870	73,034,362	81,685,232
	8,650,870	78,676,247	87,327,117

28 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value.

	Carrying value 2001 (ROL million)	Fair value 2001 (ROL million)
Financial assets		
Due from other banks	13,610,121	13,623,549
Treasury bills and bonds	17,556,082	18,125,027
Financial liabilities		
Due to other banks	8,513,045	8,498,840
Due to customers	83,812,696	83,889,623

29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2001 are detailed below. Transactions were entered into with related parties during the course of business at both market and preferential rates.

The Parent, being controlled by the Romanian State entered into transactions with the Romanian State. The Note 27 on Economic sector risk details the assets and liabilities of the Parent with the Romanian State.

29 RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties:

	Year ended 31 December 2001 (ROL million)
Assets	
Loans to employees	162,710
Loans to individuals with control and supervision responsibilities	973
	163,683
Liabilities	
Current accounts of other banks	14,867
Term deposits received from other banks	56,597
Accrued interest payable to banks	42,304
Current accounts of customers	206,883
Term deposits from customers	8,034
Collateral deposits from customers	17,742
Accrued interest payable to customers	68
Repurchase agreements	82,805
	429,300
Revenues	
Interest income from deposits with banks	428
Expenses	
Interest expenses with customers accounts	7,173

30 RISK MANAGEMENT

Interest rate risk

Average rates applicable to the major components of the consolidated balance sheet have been disclosed within the notes relating to these components. In order to manage its interest rate position, the Group sets short-term variable interest rates on its borrowing and lending. Subsidiaries operating in developed economies manage interest rates with regard to the economic indicators relevant to those economies.

Liquidity risk

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due. The amount of total assets and liabilities at 31 December 2001 and 31 December 2000 analysed over the remaining period to the contractual maturity date is included in Note 26.

Currency risk

Subsidiaries are subject to the currency risk of the currency of the country in which they are domiciled. The Group operates in developing economies. Romania experiences high rates of inflation and significant currency devaluation. There is a consequent risk of loss in value in respect of net monetary assets held in Romanian Lei. The Group manages its exposure to movements in exchange rates by modifying its asset and liability mix. An analysis of assets and liabilities denominated in ROL and other currencies is included in Note 24.

Economic sector risk

The Parent takes on exposure to economic sector risk. The amount of total assets and liabilities at 31 December 2001 analysed in transactions with State and private companies is included in Note 27. Included in transactions with state companies are amounts with companies which are partially owned by private companies.

Concentration of credit risk

In granting facilities and loans, the Group incurs a credit risk, ie the risk that the receivable will not be paid. This is related to the balance sheet items ie banks, loans and interest-earnings securities, and to off-balance sheet items. Concentration of credit risk could result in a material loss for the Group if a change in economic circumstances were to affect a whole industry or the country of Romania. The relevant analyses are included in the appropriate notes. The Group minimises its credit risk by careful assessment of borrowers, establishment of exposure limits and application of a prudent provisioning policy when the risk of loss to the Group is possible.

30 RISK MANAGEMENT (CONTINUED)

Taxation risk

Management complies with the fiscal legislation existing in the countries in which it operates, however the taxation system in Romania is subject to varying interpretations and to constant changes, which may be retroactive. In certain circumstances the tax authorities can be aggressive and arbitrary in assessing tax penalties and interest. Although the actual tax due on a transaction may be minimal, penalties can be significant as they may be calculated based on the value of the transaction and can be as high as 0.1% per day. In Romania, tax periods remain open to tax audits for a period of 5 years from the end of the period.

31 COMMITMENTS AND CONTINGENCIES

Litigation

As a result of the distressed financial situation of one of the Romanian State-owned banks, Banca Romana de Comert Exterior - “Bancorex”, the Government of Romania launched a series of measures designed to limit the effect of Bancorex’s insolvency on the economy of Romania. These measures included placing Bancorex in special administration for a limited period, transferring certain non-performing loans of Bancorex to an Asset Recovery Agency (AVAB) and transferring deposits and other creditor’s accounts with individuals (together with Romanian government securities having similar maturity) to the Bank.

These measures culminated in Government Ordinance no 39/1999, which provided that after the measures described above, the Bank:

(i) would absorb Bancorex as at 11 September 1999, incorporating all the remaining asset and liabilities including subsidiaries, off-balance sheet items and contingent liabilities;

(ii) would be provided with a State guarantee for any subsequent losses that may be incurred due to letters of credit and guarantees originating from Bancorex;

(iii) would have the option to transfer, in exchange for government securities, to various Romanian agencies those assets that in the opinion of the Bank do not satisfy the Bank’s risk management policies.

On 21 October 1999 Bancorex was removed from the Romanian Register of Trade.

31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

At 31 December 2001, the Bank was subject as defendant to litigation in the approximate amount of ROL 3,132 billion. Out of this amount, ROL 3,096 billion, resulted from the acquisition of Bancorex.

On 6 July 2000 the Romanian Government issued the Emergency Ordinance 131/30 June 2000 stating that the Government will issue unconditional letters of guarantee to the Bank against any litigation which the Bank is acting as defendant in, arising in connection with the former Bancorex, before it was removed from the Register of Trade up to an amount of USD 116 million. The guarantees are in the form of letters of guarantee issued by the Romania Ministry of Public Finance for each individual litigation.

The management of the Bank is confident that there is no need for any provision resulting from any litigation against the Bank arising in connection with the former Bancorex.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to make loans at a specific rate of interest during a fixed period of time are accounted for as derivatives and accounted for as such unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, in which case they considered to be “regular way” transactions.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Ministry of Finance issued on 10 December 1999 a State guarantee that covered off balance sheet items originating from Bancorex in the amount of ROL 58 billion and USD 324 million, respectively. The Bank has not made a provision for those off-balance sheet items transferred from Bancorex on the basis that management believes the State guarantee is sufficient to meet all subsequent liabilities which can be expected to arise.

Contractual commitments for the acquisition of premises and equipment represent the Parent's budgeted acquisitions of premises and equipment for the year 2002.

Outstanding amounts are:

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Letters of guarantee	14,248,618	16,040,381
Less provision for letters of guarantee	(112,205)	(196,302)
Letters of Credit	1,588,870	1,622,875
Undrawn commitments	6,497,807	2,979,192
	22,223,090	20,446,146
Analysis of movement in provision		
Provision at 1 January	196,302	306,093
Charge/(release) for the year (see Note 9)	(38,449)	(53,512)
Effects of inflation	(45,648)	(56,279)
Provision at 31 December	112,205	196,302
Commitments for acquisition of premises and equipment	1,976,431	1,068,460

32 OPERATING ENVIRMONMENT OF THE PARENT

The economy of Romania continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country; a low level of liquidity in the public and private debt and equity markets and high inflation.

Additionally, the banking sector in Romania is particularly impacted by adverse currency fluctuations and economic conditions. Furthermore, the need for further developments in the bankruptcy laws, in formalised procedures for the registration and enforcement of collateral and other legal, fiscal impediments contribute to the difficulties experienced by banks currently operating in the Romania.

The prospects for future economic stability in Romania are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal and regulatory developments.

33 MINORITY INTEREST

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
At 1 January	717,004	710,724
Additions	1,880	-
Dividends in 2001 (for 2000)	(70,647)	-
Translation difference	(112,707)	-
Share of gain/(loss) of subsidiaries	(8,219)	6,280
At 31 December	527,311	717,004

34 SUBSIDIARIES

Company's name	Country of incorporation	Nature of business	Shareholding 2001	Shareholding 2000
Anglo-Romanian Bank*	United Kingdom	Banking	100.00%	100.00%
Banque Franco–Roumaine*	France	Banking	50.00%	50.00%
Frankfurt - Bukarest Bank*	Germany	Banking	89.50%	89.50%
BCR Chişinău	Moldova	Banking	100.00%	100.00%
Financiara SA*	Romania	Financial services	99.99%	99.99%
BCR Securities	Romania	Brokerage	68.43%	36.86%
BCR Leasing	Romania	Leasing	75.00%	0.00%

* acquired from Bancorex during 1999.

Financiara SA has a shareholding of 100% in a real estate company, namely Bucharest Financial Plaza, which was consequently consolidated as a Bank's subsidiary.

35 SUBSEQUENT EVENTS

Depreciation of the ROL

On 24 April 2002 the National Bank of Romania's official exchange rate for the US dollar was USD 1 = ROL 33,343 compared to USD 1 = ROL 31,597 at 31 December 2001 (31 December 2000: USD 1 = ROL 25,926).

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2001
(expressed in terms of the purchasing power of the Romanian Lei (ROL) as at 31 December 2001)

The statement of income and balance sheet of Banca Comerciala Romana SA (company only) are set out below for the benefit of the user of the financial statements. The statutory financial statements have been restated in accordance with International Accounting Standards and were approved by the Board of Directors on 24 April 2002.

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Interest income	21,982,562	22,777,725
Interest expense	(12,612,972)	(14,700,459)
Net interest income	9,369,590	8,077,266
Fee and commision income, net	3,178,121	2,920,026
Foreign exchange gain, net	401,306	926,097
Other operating income	368,853	1,412,770
Total income	13,317,870	13,336,159
Other operating expenses	(5,589,268)	(6,128,631)
Bad and doubtful debts expense	(1,638,170)	(1,252,394)
Profit from operations	6,090,432	5,955,134
Share of profit/(loss) from subsidiaries	9,678	(233,522)
Profit before net monetary position	6,100,110	5,721,612
Loss on net monetary position	(1,088,569)	(1,220,243)
Profit before taxation	5,011,541	4,501,369
Taxation	(891,144)	(1,069,770)
Net profit	4,120,397	3,431,599

BALANCE SHEET AS AT 31 DECEMBER 2001
(expressed in terms of the purchasing power of the Romanian Lei (ROL) as at 31 December 2001)

	31 December 2001 (ROL million)	31 December 2000 (ROL million)
Assets		
Cash and short term funds	3,504,019	1,712,185
Due from the National Bank of Romania	30,416,500	19,189,857
Treasury bills and bonds	16,117,285	15,979,583
Due from other banks	11,207,165	12,497,460
Loans and advances to customers, net	31,201,504	25,631,634
Investments	3,350,357	3,309,963
Premises and equipment	12,128,526	11,132,839
Interest receivable and other assets	4,043,376	4,094,950
Total assets	111,968,732	93,548,471
Liabilities		
Due to other banks	5,641,885	7,175,677
Due to customers	81,685,232	63,320,093
Other liabilities and provisions	2,252,011	4,846,582
Total liabilities	89,579,128	75,342,352
Shareholders' equity		
Share capital		
- statutory	7,924,688	5,620,475
- restatement	7,845,684	10,149,897
	15,770,372	15,770,372
Retained earnings	6,619,232	2,435,747
Total shareholders' equity	22,389,604	18,206,119
Total liabilities and shareholders' equity	111,968,732	93,548,471
Off balance sheet commitments and contingencies	20,755,675	19,269,575